



Montana Department of
Natural Resources and Conservation
2005 Annual Report

DNRC History

The Montana Department of Natural Resources and Conservation (DNRC) was established through the Executive Reorganization Act of 1971. It was restructured in 1995 to place many resource management functions of Montana within one agency.

Today, DNRC promotes stewardship of Montana's water, soil, forest, and rangeland resources; regulates forest practices and oil and gas exploration and production, and administers several grant and loan programs.

DNRC has over 500 employees in seven divisions: Centralized Services; Conservation and Resource Development; Forestry; Oil and Gas Conservation; Reserved Water Rights Compact Commission; Trust Land Management, and Water Resources.



1625 Eleventh Avenue
PO Box 201601
Helena, MT 59620-1601
Phone: (406) 444-2074 • Fax: (406) 444-2684
<http://dnrc.mt.gov>

A Welcome From Our Director

Welcome to DNRC. We're working for you in ways you've never imagined! From drinking water to grasslands to protection from fire, DNRC touches the lives of Montanans every day. In my first year as Director of the Department of Natural Resources and Conservation in the Schweitzer Administration, I have come to greatly appreciate our hard-working staff and the important jobs we perform together.



Mary Sexton

Over the past year, we have concentrated on working together as an agency and working with you, the people of Montana. On the popular St. Mary project, we are partnering with local municipalities, tribes, other agencies, irrigators, and recreationists to reconstruct the 100-year-old canal system. On State School Trust Lands, we consult with communities, such as Whitefish, to find ways to gain revenue for the Trust and meet local needs for open space. For communities all across Montana, we offer grants for water, sewer, and irrigation projects. And, when it comes to wildland fire protection, DNRC provides equipment and training while working closely with local fire departments.

In the coming years, we want to be even stronger partners in providing healthy land and water for Montanans. We will communicate more effectively with you about our activities and programs. Most important, we will listen to you as we find ways to tackle the many resource challenges. DNRC is working with you for a better Montana!

— Mary

Conservation and Resource Development Division

The Conservation and Resource Development Division helps local entities manage the state's natural resources and provides financing for conservation resource management and reclamation activities. In FY 2005, the Division had 24 employees in three bureaus: Conservation Districts, Financial Development, and Resource Development.

Fiscal Year 2005 Highlights for the Conservation and Resource Development Division

The St. Mary diversion facility provides water to support agriculture, business, fish, wildlife, and households. After nearly 100-years of service, many parts of the facility need repair or replacement. This Division is starting the engineering evaluation for that needed rehabilitation. The estimated cost is \$130 million. Other Division activities included:

- grants to conservation districts for watershed planning, 310 permit assistance, administration, and stewardship projects, \$850,000;
- financing salinity control work to restore Montana land. Over 300,000 acres statewide are affected by salinity seep, \$225,000;
- loans to 30 communities for water and wastewater systems, \$250,000,000;
- grants to 111 communities to reclaim and manage renewable resources, \$2,300,000;
- regional water systems for 60 communities, \$2,500,000; and
- irrigation loans and grants to 352 private entities, \$15,300,000.



Forestry Division

The Forestry Division administers two major programs: Fire and Aviation Management (F&AM) and Forestry Assistance (FA). F&AM administers Montana's fire prevention, protection, and suppression programs. FA promotes private forest stewardship, administers Montana's forest practices laws and Best Management Practices (BMPs), operates the Montana Conservation Seedling Nursery, offers urban forestry technical and financial assistance to Montana's cities and towns, and manages the Fuels for Schools program.

Fiscal Year 2005 Highlights for the Forestry Division

In FY 2005, the Fuels for Schools partnership between DNRC, the U.S. Forest Service (USFS), and Montana's Resource Conservation and Development Areas facilitated installation of new biomass heating boilers in Victor and Philipsburg, bringing the total in Montana to three. These boilers save over \$100,000 a year in heating costs to the three schools. A fourth school (Thompson Falls) will fire up its boiler in October 2005. In addition, \$1.5 million has been granted to support six additional boilers across the state. Partners received a national award from the Chief of the USFS for their work in the Fuels for Schools program. Other activities included:

- kept 98% (300) of 331 fires on direct protection and county co-op program lands to fewer than 10 acres in size due to initial attack successes;
- awarded \$1,175,209 in Volunteer Fire and Rural Fire Assistance grants and \$462,100 in fuels mitigation grants to six projects;
- conducted 26 wildland firefighting courses for 377 volunteer firefighters;
- awarded over \$60,000 in grants to 70 Montana communities for urban forestry projects;
- provided 916,000 seedlings to 932 landowners for conservation plantings;
- provided BMP technical assistance and forest practices enforcement on 1,400 new logging operations; and
- opened 1,412 new Hazard Reduction Agreements and certified and closed 1,306.

Oil and Gas Conservation Division

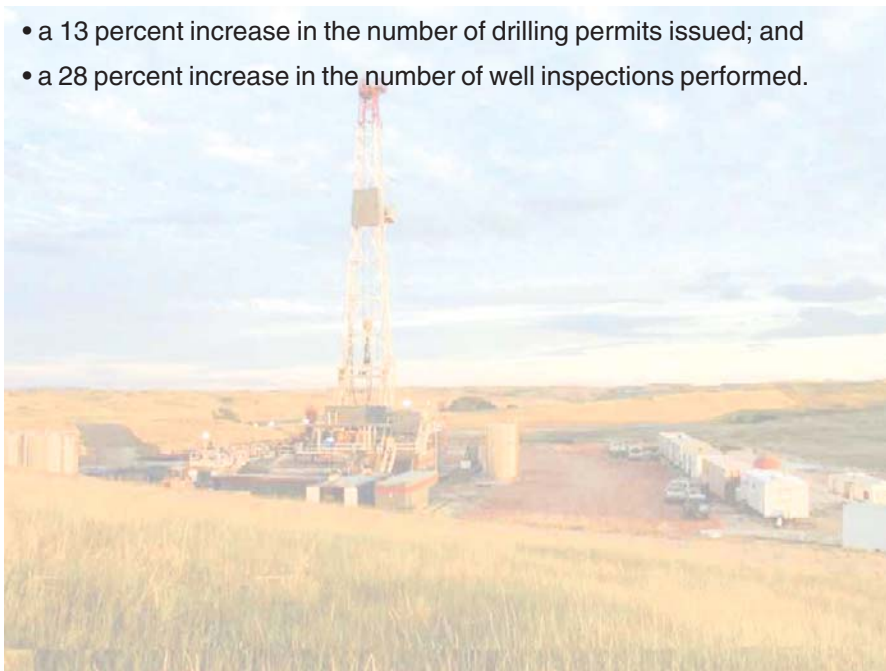
The Oil and Gas Conservation Division regulates exploration and production of oil and gas in Montana, administers the federal Underground Injection Control Program, and plugs orphaned and abandoned wells. The Division is administered by the Department of Natural Resources and Conservation, but reports to a seven-member Board of Oil and Gas Conservation, a quasi-judicial body whose members are appointed by the Governor.

Fiscal Year 2005 Highlights for the Oil and Gas Conservation Division

In 2004, 24,776,176 barrels of oil and 97,926,061 mcf of natural gas were produced in Montana. That represents a 27.5 percent increase in oil and a 12.9 percent increase in gas from 2003 amounts.

In 2004, the Board and the Oil and Gas Conservation Division issued 341 drilling permits; conducted seven public hearings and issued 395 orders; inspected 2,449 wells, and plugged 32 orphaned and/or abandoned wells. This represents an increase over 2003 activities. Other accomplishments were:

- a 13 percent increase in the number of drilling permits issued; and
- a 28 percent increase in the number of well inspections performed.



Reserved Water Rights Compact Commission

While other states struggle through expensive and lengthy water rights litigation, the nine-member Montana Reserved Water Rights Compact Commission (RWRCC) has been effective in negotiating federal reserved water rights compacts with Tribes and federal agencies as part of Montana's statewide adjudication program. The compacts are an important part of accurately quantifying water use in Montana.

The RWRCC is administratively attached to DNRC with a staff director, two attorneys, two hydrologists, an agricultural engineer, a soil scientist, a GIS specialist, and a historian.

Fiscal Year 2005 Highlights for the Reserved Water Rights Compact Commission

In FY 2005, the RWRCC developed a plan to meet its sunset deadline in 2009. Negotiations with the Blackfoot Tribe continued to move forward. In the Milk River Basin, the U.S. Fish & Wildlife Service and RWRCC technical teams worked to solve the salinity problem on the Bowdoin National Wildlife Refuge as part of ongoing negotiations. The RWRCC continued negotiations with the U.S. Forest Service and the Confederated Salish and Kootenai Tribes of the Flathead Reservation, as well as discussions with the Crow Tribe in preparing federal legislation for the Crow Compact.

Water compacts passed since the RWRCC's creation by the Legislature in 1979 include:

- Assiniboine and Sioux of the Fort Peck Reservation (1985);
- Gros Ventre and Assiniboine of the Fort Belknap Reservation (2001);
- Chippewa Cree of the Rocky Boy's Reservation (1997);
- National Park Service (Yellowstone, Glacier, Big Hole National Battlefield – 1994; Little Bighorn Battlefield National Monument, Bighorn Canyon National Recreation Area – 1995);
- U.S. Fish & Wildlife Service (Benton Lake and Black Coulee National Wildlife refuges – 1997; Red Rock Lakes National Wildlife Refuge – 1999); and
- U.S. Bureau of Land Management (Upper Missouri Wild and Scenic River and Bear Trap Canyon – 1997).

Trust Land Management Division

The Trust Land Management Division administers and manages the state school trust timber, surface, and mineral resources for the benefit of the common schools (K-12) and other endowed institutions in Montana, under direction of the State Board of Land Commissioners.

Fiscal Year 2005 Highlights for the Trust Land Management Division

The Trust Land Management Division manages land activities on over 5.1 million surface acres and over 6.2 million acres of mineral estate.

Land management activities are conducted in four programs: Agriculture and Grazing, Forests, Minerals, and Real Estate.

- In FY 2005, land management activities generated \$60,178,555 in revenue, a 33% increase over the previous year.
- The Forest Management Program generated \$4,891,695 in net revenue for the Technology Acquisition and Depreciation Fund, compared with \$3,178,988 the previous year. This increase is primarily due to higher timber prices during the year.
- Mineral revenue totaled \$23.6 million, the highest amount generated since 1981, representing a 49% increase over FY 2004.



Water Resources Division

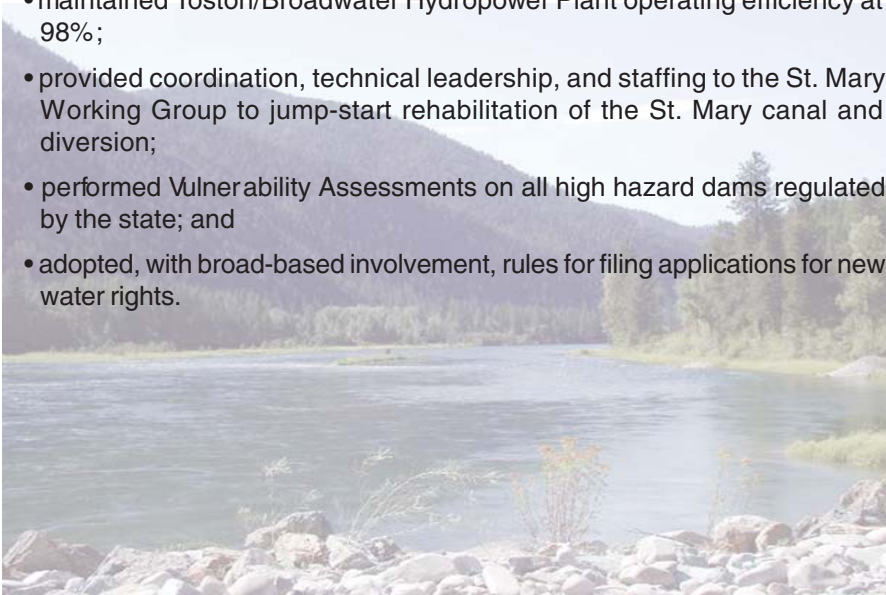
The Water Resources Division manages programs associated with use, development, and protection of Montana's water. The Division develops and recommends water policy to the Director, Governor, and Legislature.

Fiscal Year 2005 Highlights for the Water Resources Division

The Division accelerated statewide water rights adjudication by providing the Environmental Quality Council and 2005 Legislature the information needed to set production benchmarks and to develop the fee matrix. The Division automated its database information to issue Water Court decrees. Over 30 new, qualified staff were hired to do the work.

The Division convinced the International Joint Commission to review and optimize the water apportioned between the United States and Canada on the St. Mary and Milk rivers. This is a big step forward in correcting a prolonged imbalance. It will provide a significant amount of additional water to Montana farms and communities on the Hi-Line. In addition, the Division:

- reduced water rights processing times to meet statutory timelines adopted in the 2003 Legislature;
- maintained Toston/Broadwater Hydropower Plant operating efficiency at 98%;
- provided coordination, technical leadership, and staffing to the St. Mary Working Group to jump-start rehabilitation of the St. Mary canal and diversion;
- performed Vulnerability Assessments on all high hazard dams regulated by the state; and
- adopted, with broad-based involvement, rules for filing applications for new water rights.

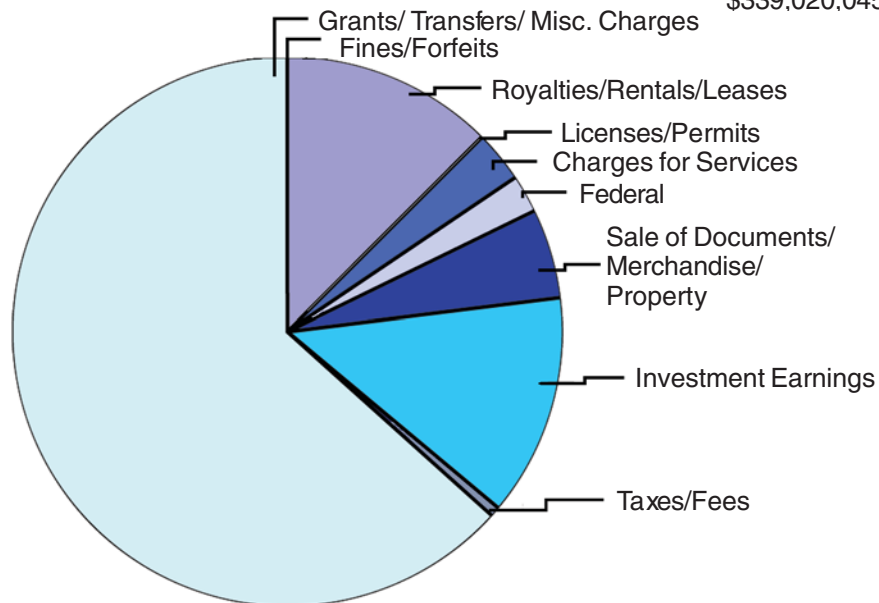


DNRC Fiscal Year 2005 Financial Report

As a state agency, we are well aware of our financial responsibilities, not only to the people of this great state but also to our employees. We maintain a stringent accounting regimen and auditing schedule to ensure that state dollars are utilized for the purposes intended, to the benefit of the resources we manage and the citizens of Montana.

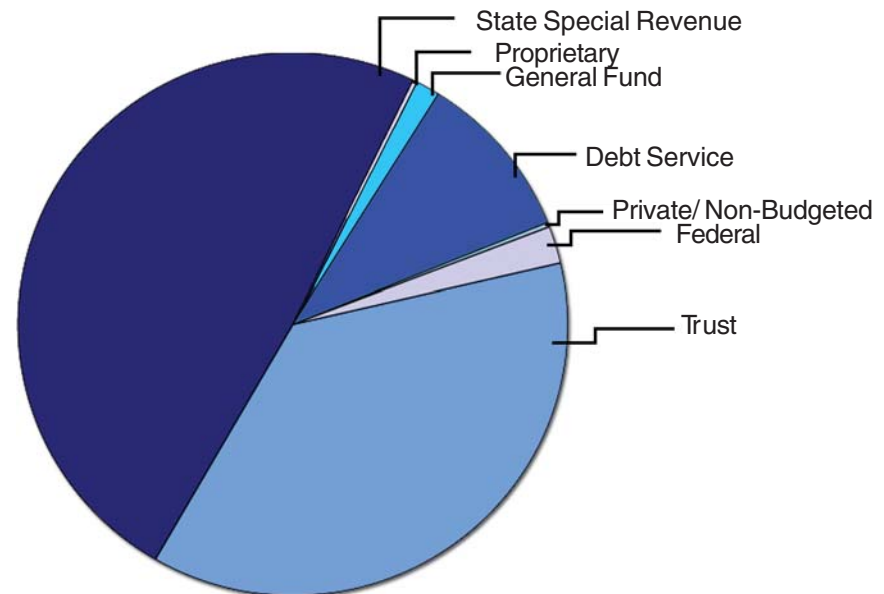
Total Revenues by Activity

Grants/Transfers/Misc. Charges	\$214,326,101
Fines/Forfeits	\$41,978
Royalties/Rentals/Leases	\$42,414,918
Licenses/Permits	\$478,340
Charges for Services	\$10,177,419
Federal	\$6,962,049
Sale of Documents/Merchandise/Property	\$18,326,270
Investment Earnings	\$43,741,307
Taxes/Fees	\$2,551,663
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	\$339,020,045



Total Revenues by Fund

State Special Revenue	\$165,283,869
Proprietary	\$925,195
General Fund	\$5,644,569
Debt Service	\$34,616,264
Private/ Non-Budgeted	\$112,801
Federal	\$7,087,859
Trust	\$125,349,487
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	\$339,020,045



Did You Know?

- In 2004, DNRC **fire aviation** resources dropped nearly **1 million gallons** of water and retardant in fire suppression efforts statewide.
- DNRC's insectory in northeastern Montana produced over 5 million **leafy spurge flea beetles**, a biological control agent, for the war on weeds in Montana.
- DNRC has assisted in developing ground shaking maps that mimic earthquakes to **help agencies plan for future earthquakes** and their effect on dams in the state.
- **Toston Dam** (Broadwater-Missouri Power Project), a state-owned power plant, generates its own revenue from the sale of electricity. This helps to fund annual repair and maintenance projects for the state's 22 high hazard dams and 250 miles of irrigation canals.
- The Conservation Districts Bureau and Conservation Districts conducted over 48 training sessions, reaching 4,400 people statewide, with the **Rolling Rivers Trailer**, a portable educational water/watershed platform.
- Four regional water systems are under construction in Montana, with the **Fort Peck-Dry Prairie Regional Water System** the farthest along. This project has impacted the lives of 31,000 Montanans by bringing high-quality drinking water to residents of these regions.
- The State of Montana owns all **land and minerals** below the low water marks of all navigable rivers and lakes in the state.

On the Horizon

- Changes to permitting and regulatory measures associated with **coal bed natural gas** drilling in Montana.
- Utilization of **technology** more than ever before by DNRC, both in personnel management and in the field.
- Continued development of additional **energy** sources such as wind, hydropower, coal bed natural gas, and biomass fuels.
- Upgrade of existing **fire suppression** aviation resources with Federal Excess Property parts to keep our fleet functioning.
- Under **House Bill 22**, over the next 10-years the Water Resources Division will review some 57,000 water right claims and begin issuing decrees through the Montana Water Court.
- In the new year, the DNRC **Land Banking** program and the Land Board will approve up to 100,000 acres of State School Trust Land to be sold and purchased in the best interest of the Trust.
- DNRC's **Habitat Conservation Plan** will minimize and mitigate impacts of forest management activities on threatened and endangered species while providing DNRC with long-term land management assurances.



Persons with disabilities who need an alternative, accessible format of this document should contact the DRNC at:

1625 Eleventh Avenue
PO Box 201601
Helena, MT 59620-1601
Phone: (406) 444-2074
Fax: (406) 444-2684
<http://dnrc.mt.gov>

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Front Cover: Headwaters of the Blackfoot River at the base of Flesher Pass.

Back Cover: Sharp crested wier channeling irrigation water to the valley north of Ovando. Photos by DNRC Employee, Dan Bushnell



August 2005

To help ensure that Montana's land and water resources provide benefits for present and future generations